



JOHN CHIANG
California State Controller

July 10, 2013

Teresa Scott, Executive Vice Chancellor of Fiscal Services
Yosemite Community College District
2201 Blue Gum Avenue
Modesto, CA 95358

Dear Ms. Scott:

The State Controller's Office reviewed the costs claimed by the Yosemite Community College District for the legislatively mandated Integrated Waste Management Program (Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999) for the period of July 1, 2004, through June 30, 2010. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$463,608 for the mandated program. Our review found that \$193,177 is allowable and \$270,431 is unallowable. The costs are unallowable because the district did not report any offsetting savings realized as a result of implementing its integrated waste management plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation.

For the fiscal year (FY) 2004-05 through FY 2009-10 claims, the State made no payment to the district. Our review found that \$193,177 is allowable. The State will pay that amount, contingent upon available appropriations.

We informed Carrie Sampson, Executive Assistant of Fiscal Services, of the review adjustment via email on June 3, 2013. On June 12, 2013, Ms. Sampson responded that the district has no questions regarding the adjustment.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

Teresa Scott,
Executive Vice Chancellor of Fiscal Services

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July 10, 2013

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/nh

Attachments

RE: S13-MCC-947

cc: Tim Nesmith, Director of Facilities Planning and Operations
Yosemite Community College District
Carrie Sampson, Executive Assistant of Fiscal Services
Yosemite Community College District
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2004, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 2,298	\$ 2,298	\$ —
Fixed assets	40,874	40,874	—
Total direct costs	43,172	43,172	—
Indirect costs	801	801	—
Total direct and indirect costs	43,973	43,973	—
Less offsetting savings ²	—	(29,466)	(29,466)
Total program costs	<u>\$ 43,973</u>	14,507	<u>\$ (29,466)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,507</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 37,465	\$ 37,465	\$ —
Fixed assets	14,280	14,280	—
Total direct costs	51,745	51,745	—
Indirect costs	13,630	13,630	—
Total direct and indirect costs	65,375	65,375	—
Less offsetting revenues and reimbursements	(4,812)	(4,812)	—
Less offsetting savings ²	—	(51,477)	(51,477)
Total program costs	<u>\$ 60,563</u>	9,086	<u>\$ (51,477)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,086</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 115,188	\$ 115,188	\$ —
Indirect costs	37,124	37,124	—
Total direct and indirect costs	152,312	152,312	—
Less offsetting revenues and reimbursements	(7,607)	(7,607)	—
Less offsetting savings ²	—	(59,411)	(59,411)
Total program costs	<u>\$ 144,705</u>	85,294	<u>\$ (59,411)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 85,294</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 61,408	\$ 61,408	\$ —
Indirect costs	25,220	25,220	—
Total direct and indirect costs	86,628	86,628	—
Less offsetting revenues and reimbursements	(6,902)	(6,902)	—
Less offsetting savings ²	—	(40,752)	(40,752)
Total program costs	<u>\$ 79,726</u>	38,974	<u>\$ (40,752)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,974</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 58,086	\$ 58,086	\$ —
Travel and training	73	73	—
Fixed assets	10,710	10,710	—
Total direct costs	68,869	68,869	—
Indirect costs	23,856	23,856	—
Total direct and indirect costs	92,725	92,725	—
Less offsetting revenues and reimbursements	(7,965)	(7,965)	—
Less offsetting savings ²	—	(43,633)	(43,633)
Total program costs	<u>\$ 84,760</u>	41,127	<u>\$ (43,633)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 41,127</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 47,237	\$ 47,237	\$ —
Indirect costs	20,133	20,133	—
Total direct and indirect costs	67,370	67,370	—
Less offsetting revenues and reimbursements	(17,489)	(17,489)	—
Less offsetting savings ²	—	(45,692)	(45,692)
Total program costs	<u>\$ 49,881</u>	4,189	<u>\$ (45,692)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,189</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2004, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 321,682	\$ 321,682	\$ —
Travel and training	73	73	—
Fixed assets	65,864	65,864	—
Total direct costs	387,619	387,619	—
Indirect costs	120,764	120,764	—
Total direct and indirect costs	508,383	508,383	—
Less offsetting revenues and reimbursements	(44,775)	(44,775)	—
Less offsetting savings ²	—	(270,431)	(270,431)
Total program costs	<u>\$ 463,608</u>	193,177	<u>\$ (270,431)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 193,177</u>	

¹ See Attachment 3, Finding and Recommendation

² See Attachment 2, Summary of Offsetting Savings Calculations

Attachment 2— Summary of Offsetting Savings Calculations July 1, 2004, through June 30, 2010

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July- December	January-June	Total	
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	80.96%	÷	80.30%	
Allocated diversion percentage		61.76%	62.27%		
Tonnage diverted	×	(743.45)	×	(486.90)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Total offsetting savings, FY 2004-05	<u>\$ —</u>	<u>\$ (17,641)</u>	<u>\$ (11,825)</u>	<u>\$ (29,466)</u>	<u>\$ (29,466)</u>
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	80.30%	÷	86.56%	
Allocated diversion percentage		62.27%	57.76%		
Tonnage diverted	×	(486.90)	×	(1,492.40)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Total offsetting savings, FY 2005-06	<u>\$ —</u>	<u>\$ (11,825)</u>	<u>\$ (39,652)</u>	<u>\$ (51,477)</u>	<u>\$ (51,477)</u>
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	86.56%	÷	69.67%	
Allocated diversion percentage		57.76%	71.77%		
Tonnage diverted	×	(1,492.40)	×	(573.55)	
Statewide average landfill fee per ton	×	\$46.00	×	\$48.00	
Total offsetting savings, FY 2006-07	<u>\$ —</u>	<u>\$ (39,652)</u>	<u>\$ (19,759)</u>	<u>\$ (59,411)</u>	<u>\$ (59,411)</u>
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	69.67%	÷	69.67%	
Allocated diversion percentage		71.77%	71.77%		
Tonnage diverted	×	(573.55)	×	(573.55)	
Statewide average landfill fee per ton	×	\$48.00	×	\$51.00	
Total offsetting savings, FY 2007-08	<u>\$ —</u>	<u>\$ (19,759)</u>	<u>\$ (20,993)</u>	<u>\$ (40,752)</u>	<u>\$ (40,752)</u>
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	69.67%	÷	69.67%	
Allocated diversion percentage		71.77%	71.77%		
Tonnage diverted	×	(573.55)	×	(573.55)	
Statewide average landfill fee per ton	×	\$51.00	×	\$55.00	
Total offsetting savings, FY 2008-09	<u>\$ —</u>	<u>\$ (20,993)</u>	<u>\$ (22,640)</u>	<u>\$ (43,633)</u>	<u>\$ (43,633)</u>

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July- December	January-June	Total	
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage		÷ 69.67%	÷ 69.67%		
Allocated diversion percentage		71.77%	71.77%		
Tonnage diverted		× (573.55)	× (573.55)		
Statewide average landfill fee per ton		× \$55.00	× \$56.00		
Total offsetting savings, FY 2009-10	\$ —	\$ (22,640)	\$ (23,052)	\$(45,692)	\$ (45,692)
<u>Total offsetting savings, July 1, 2004, through June 30, 2010</u>	\$ —	\$ (132,510)	\$ (137,921)	\$(270,431)	\$(270,431)

¹ See Attachment 3, Finding and Recommendation

Attachment 3— Finding and Recommendation July 1, 2004, through June 30, 2010

FINDING— Unreported offsetting savings

The district did not report any offsetting savings on its mandated cost claims for the review period. We determined that the district realized savings of \$270,431 for implementation of its integrated waste management (IWM) plan.

The following table summarizes the unreported offsetting savings by fiscal year:

<u>Fiscal Year</u>	<u>Offsetting Savings Reported</u>	<u>Offsetting Savings Realized</u>	<u>Review Adjustment</u>
2004-05	\$ -	\$ (29,466)	\$ (29,466)
2005-06	-	(51,477)	(51,477)
2006-07	-	(59,411)	(59,411)
2007-08	-	(40,752)	(40,752)
2008-09	-	(43,633)	(43,633)
2009-10	-	(45,692)	(45,692)
Total	<u>\$ -</u>	<u>\$ (270,431)</u>	<u>\$ (270,431)</u>

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the IWM Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for writ of mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g. avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify, and offset from their claims, cost savings realized as a result of implementing their plan.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

The amended parameters and guidelines (section VIII – Offsetting Cost Savings) state:

Reduced or avoided costs realized from implementation of the community college districts' Integrated Waste Management Plans shall be identified and offset from this claim as cost savings, consistent with the direction for revenue in Public Contract Code sections 12167 and 12167.1.

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund, which are continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. We have determined that the district had reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

Offsetting Savings Calculations

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8–CSM hearing of September 26, 2008) state:

... cost savings may be calculated from the annual solid waste disposal reduction or diversion rates that community colleges must annually report to the Board pursuant to Public Resources Code section 42926, subdivision (b) (1).

To compute the savings amount, we multiplied the allocated diversion percentage, by the tonnage diverted, and by the avoided landfill disposal fee, as follows:

$$\begin{array}{rcccl}
 & \text{Allocated Diversion \%} & & & \\
 & \overbrace{\hspace{1.5cm}} & & & \\
 \text{Offsetting} & \text{Maximum} & & \text{Avoided} & \\
 \text{Savings} & \text{Allowable} & & \text{Landfill} & \\
 \text{Realized} & = \frac{\text{Diversion \%}}{\text{Actual Diversion \%}} \times \text{Tonnage Diverted} \times \text{Disposal Fee (per Ton)} & & &
 \end{array}$$

This calculation determines the cost that the district did not incur for solid waste disposal as a result of implementing its IWM plan. The offsetting savings calculations are presented in Attachment 2 – Summary of Offsetting Savings Calculations.

Allocated Diversion Percentage

Public Resource Code 42921 requires districts achieve a solid waste diversion percentage of 25% beginning January 1, 2002, and a 50% diversion percentage by January 1, 2004. The parameters and guidelines state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts used to exceed these state mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2004 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Consequently, the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for FY 2007-08, FY 2008-09, and FY 2009-10. The district did not provide documentation supporting a different diversion percentage.

Tonnage Diverted

The tonnage diverted is solid waste that the district recycled, composted, and kept out of the landfill.

For calendar years 2004 through 2007, we used the actual tonnage diverted, as reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08, FY 2008-09, and FY 2009-10. The district did not provide documentation supporting a different tonnage amount.

Avoided Landfill Disposal Fee (per Ton)

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at the landfill. For each fiscal year in the review period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide documentation supporting a different disposal fee.

Recommendation

We recommend that the district offset all savings realized from implementation of its IWM plan.